

Annual Report 2002 of the Environmental Finance Center Network

Environmental Finance Center Network

2002 Annual Report

EFC at Syracuse University

The Environmental Finance Center (EFC) at Syracuse University's Maxwell School of Citizenship and Public Affairs serves the Region 2 States of New York and New Jersey as well as Puerto Rico and the U.S. Virgin Islands

The United States Environmental Protection Agency's (EPA) Region 2 Environmental Finance Center (EFC) at Syracuse University's Maxwell School of Citizenship and Public Affairs was established in 1993. Since then, the Maxwell EFC has undertaken a wide range of projects and activities, and built a considerable record of accomplishment. The earlier years of the EFC were dedicated primarily to the provision of training and presentations focused on full-cost pricing of environmental services. Beginning in 1997, the EFC recognized that other nonprofit and academic programs were offering similar services

and decided to initiate a series of collaborative relationships with these programs as well as programs offered directly by government agencies, such as the USDA and HUD, and private sector firms.

The purpose of taking such initiative was: (1) to identify gaps in the delivery of technical assistance to communities; (2) determine methods in which organizations that ordinarily compete for the same funding sources could transform the competitive aspects of their relationships into mutually beneficial alliances; and (3) share expertise so that there was greater coordination of technical assistance provisions and less unnecessary duplication of services.

Five years later, the EFC is very proud of this effort as it resulted in a very smart and unique way to maximize the value of environment-related resources available to communities in EPA Region 2. This has been accomplished through the development of the *Public Management and Finance Program* (PMFP), which evolved based on significant input from a collective of technical assistance providers and established as a means to impart valuable training in environmental finance and connected issues to local governments.



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Additionally, the PMFP was charged with providing forums for local governments and technical assistance providers to have opportunities to interact on a consistent basis and explore options to various problems or issues.

In 2002 the EFC received a \$200,000 award from the USDA specifically for water and wastewater activities within the PMFP. The EFC ended the year with the submission of a proposal to the USDA to include six other EFCs in the PMFP water and wastewater activities. The PMFP has been very well-received by communities in New York because it enables communities to better understand the relationship environmental finance has with other areas of government business, particularly economic or community development. The alliances and collaboration among technical assistance providers has been very instrumental in removing the gaps in the delivery of technical assistance, although all partners of the PMFP are cognizant that the cumulative of needs among communities exceed the resources available.

EFC activities of equal importance during 2002 included the implementation of a source water project under the leadership of the New Mexico EFC. EFC staff members are currently exploring prospective resources to continue this work after the project period ends in December, 2003. During 2002 the EFC continued to assist communities with the use of "Show-Me Ratemaker", a Microsoft Excel computer model, developed by the State of Missouri and offered at no charge to communities, for use in setting financially responsible water and wastewater rates. Many communities invite EFC staff to serve as "neutral brokers" and present the rate setting information to community stakeholders.

The EFC expects 2003 to be a year in which past and present efforts will be built upon and continue to flourish.

ON-GOING ACTIVITIES AND PROJECTS

- Attendance at professional association meetings and presentations on capital planning and financing; the concepts of water and wastewater rate setting; environmental governance; intergovernmental cooperation; collaborative planning; capacity development; sustainable community issues; and brownfields redevelopment.
- Maintaining database of past EFC program participants, workshop attendees, prospective clients, and technical service providers.
- Participating in planning prospective projects with government, nonprofit, and private sector partners of the Public Management and Finance Program.
- Collaborating with other technical assistance organizations to provide assistance to rural communities seeking to address environmental infrastructure development and improvement projects.
- Serving as a content provider to government and non-profit organizations that provide assistance and conduct workshops for municipal decision-makers.
- Continued emphasis on collaborating with other universities and non-profit organizations to develop proposals addressing environmental concerns.
- Responding to requests from communities for assistance ranging from how to finance major water system repairs and how to develop capital budgets for environmental improvements to conducting focus groups to elicit public input or

assess public awareness and support of environmental projects

ACCOMPLISHMENTS

Public Management and Finance Program

Since EFC 2 was established at the Maxwell School, it has become a resource for municipal professionals and other community representatives through a variety of presentations, workshops, and interactive forums. The *Public Management and Finance Program* (PMFP) was a natural outgrowth of these activities. Officially launched in April 2001, it has served as a means for municipal professionals and leaders from EPA Region 2 communities to learn, explore, discuss and debate the principles of public finance as it pertains to environmental improvements. The PMFP has primary functions in other capacities, including:

Technical Assistance Partnerships

The EFC Director facilitates meaningful exchanges among a variety of technical assistance providers on a regular basis in order for them to collectively offer expertise to communities in a holistic manner. Through support from the USDA, the PMFP conducts quarterly partnership meetings specifically relating to water and wastewater issues at which representatives of the organizations exchange information about community projects and discuss prospective collaborative opportunities. Through support from the EPA grant to the EFC, other partnership meetings take place relative to specific environmental finance issues. These exchanges have been remarkably useful to strengthening the camaraderie of organizations that in many, if not most, states do not work together or share expertise on a continual basis. The partnerships have demonstrated time and again that communities benefit when technical assistance providers consult with one another about

their work in a given community. It enables communities to improve their own planning and implementation processes. Furthermore, collegial relationships among technical assistance (TA) providers create a working environment in which information exchanges reduce duplication of effort and also promote efforts that complement one another. Organizations represented at the meetings include the Rural Water Association, Rural Community Assistance Program, USDA Rural Utilities Services, New York State Environmental Facilities Corporation, Tug Hill Commission, New York Department of Transportation, and private finance or engineering firms such as Munistat Services, Sterns & Wheler, Bernier & Carr.

Stakeholder Outreach and Education

The EFC has found a real niche with respect to assisting communities in generating community interest in environmental improvement projects. Staff members have developed several models and methods to engage *stakeholders*, such as citizens and businesses, in the planning and implementation aspects of environmental improvements which most often require a referendum process and/or will require increases in rates or taxes to recover associated costs. It is not unusual for communities to delay or altogether avoid necessary environmental improvements because of the controversies that can arise with having to convey sometimes complex information that ultimately results in a cost to community members – or other stakeholders.

The EFC promotes public input processes as a vital method to include stakeholders not only to generate support for projects but more importantly to educate them about the importance of the improvement, particularly as they relate to the long term welfare of the community. “Community Roundtables” have become hallmarks of the EFC work in this area. A highlight of 2002 was a roundtable in Alexandria Bay, New York where

one jurisdiction was planning an improved drinking water system and another was planning a wastewater system:

Alexandria Bay is a small community (Village population 1,088; Town population 4097) that becomes a resort area during the summer season. Permanent residents were not “sold” on the idea of a \$9 million project. The median household income of residents of the Village and the Town is \$29,338 and \$33,333 respectively, but there are clusters of residents with a median income less than \$20,000. The less affluent residents needed clean water the most but were satisfied with filters put on their contaminated wells by the New York Department of Conservation (DEC). The DEC could not continue to leave the filters on the wells indefinitely. This presented a challenge to the leadership of the Town and Village of Alexandria Bay. The USDA Rural Utility Services and the New York State Environmental Facilities Corporation were able to provide some funds through grants. There was also an amazing contribution of funds from a private business owner. However, it became clear that the community was going to have to recover some costs as well as plan operating costs by establishing appropriate user rates. The EFC conducted a community roundtable which took place over a two hour period one evening. Roughly 40 people attended and represented a broad cross section of the community. Several were very opposed to the project. The EFC assumed a neutral position on the project and facilitated a meaningful discussion in which the elected leadership, with private engineers, responded to questions and concerns about the project. The EFC created props, such as poster-size illustrations of the distribution of each cent of every dollar spent on water rates, comparisons between cable bills (a non-necessity) and water bills to demonstrate the issue of “preferences” stakeholders have in their budgets,

definitions and dangers of the contaminants in their current water supply, and other useful information.

At the end of the roundtable, several of those opposed to the project complimented the EFC and indicated in surveys taken later that they had changed their minds and now support the project. The roundtable was an opportunity for them to hear in lay terms information that was critical to making an informed decision. The roundtable also removed the leadership from the “hot seat” of delivering truthful information that was not necessarily welcome information. On March 14 a celebration took place in the community to announce the project was to proceed.

The roundtable, as a public input process, is effective at convey information that is understandable to the average person. It also enables ample opportunity for people to freely question decisions in a manner that is not threatening to decision makers or businesses that might be perceived as beneficiaries. Most important, the roundtable educates people about the importance of regarding water as a commodity and understanding that water and wastewater systems are critical to stimulating or maintaining appropriate economic activity.

The EFC is also developing citizen participation models in which community residents are involved with local governments in the early stages of identify environmental problems and developing strategies to solve them. Although this requires time and extraordinary commitment, all of the communities the EFC works with are convinced that the use of public input processes is well worth the effort – then stakeholders are excluded, controversy is likely to emerge and consequently delay or cause other problems for a project.

Additionally, stakeholders are less likely to oppose an environmental improvement if they understand its importance. As a result of this work, the EFC is currently receiving calls from its

partners to provide assistance to communities they work with.

Training

In the Executive Summary of this report, reference is made to the similarities that exist among technical assistance programs available to communities. Several years ago, these similarities often promoted more competition between programs than collaboration. Honestly stated, programs do compete for the same funding and survival is dependent on being distinct in many instances. Through the PMFP, partners have found a way to work together by drawing on the strengths of expertise offered by each program. For example, the Rural Water Association (RWA) works entirely on water issues and no other environmental issue.

Years ago when the EFC conducted rate setting workshops, it was arguable that the work was duplicating to some extent the work performed by RWA. As a result of the PMFP, and the solid partnerships that have evolved, the EFC now continues to provide training in rate setting but with a new dimension. The EFC contributes to RWA conferences for system operators and includes RWA in forums about water, with each focusing on particular areas of expertise. The EFC has the capacity to work with community stakeholders, or policy issues, in a way the RWA cannot. The Rural Community Assistance Program (RCAP) and RWA have recently collaborated to develop a hazardous waste removal program in New York and called upon the EFC to facilitate focus groups among experts in the field. RCAP also frequently calls upon the EFC to contribute to educational tasks in communities.

In order to maximize the value of the technical assistance programs to communities, the EFC now plans its training as contributory and supplemental as opposed to “reinventing wheels” or being perceived as duplicating existing training available. On some levels, there is not enough duplication,

given the number of communities in need of training and other forms of assistance. Nonetheless, the EFC is cognizant that greater benefit is imparted to communities when technical assistance providers collaborate and now designs training using customized methods which complement other technical assistance provisions.

The launching event for the PMFP took place in April 2001 at Syracuse University’s Minnowbrook Conference Center, located in the Adirondacks. During 2002, there were two PMFP events held at Minnowbrook. The first, held in April, included training in public finance, capital planning and budgeting, and rate setting. The second, held in September, provided similar training in addition to sessions on water system security, rate equity, and community input processes. The September conference ended with a simulation exercise in which participants assumed specific roles to tackle environmental finance problems that were presented in a case study format.

All activities were interactive and allowed ample time for participants to discuss issues of mutual concern, share experiences, and initiate inquiries to technical assistance providers. As in 2001, the events concluded with an evaluation of the PMFP concept in which participants were asked what they would like to see happen next.

There was unanimous expression of gratitude for the opportunity to participate in a forum with such a variety of resources and all community representatives commended the EFC for the format. Without exception, community representatives commented that the format was conducive to real learning and that their typical experience is to attend a workshop in which an immense amount of information is provided but using methods not compatible with information retention.

The Minnowbrook forums have enticed community leaders to remain in contact with the EFC, many requesting specific assistance or

seeking to be put in contact with technical assistance services. The EFC is very proud of the foundation it has established for the PMFP in terms of having a means for technical assistance providers and local governments to interact in a comprehensive manner, using a variety of methods to promote learning, networking, and the delivery of solid expertise relative to environmental improvements. The concept is a clear “winner” with respect to responding to community needs and providing assistance with flexibility suitable to a given situation. The PMFP will continue to use highly interactive and participatory methods of delivering its components.

Source Water Project

Under the leadership of the University of New Mexico EFC and in cooperation with New York State's Department of Environmental Conservation and the Department of Health and EPA Region 2, the EFC is working with a cluster of communities with common concerns for potential drinking water contamination. Several years ago, the EFC partnered with the Water Resource Institute (WRI) to form the Environmental Community Assistance Consortium (referred to in the annual reports of 1997 forward) and considered the source water project an excellent opportunity to further that partnership. The WRI has immense technical experience in source water assessment complementary to the EFC's process facilitation expertise. The WRI previously completed a pilot Source Water Assessment for several water systems in the Upper Susquehanna River watershed, an area that encompasses several counties on the New York/Pennsylvania border. This Assessment, which identified several potential contamination sources, served as the basis for selecting the Village of Afton in Chenango County as the initial focus of the project.

This team has worked with stakeholders in the communities to address potential contamination issues and help establish a Source Water Protection Council. In 2002 the team provided assistance to the Council to identify solutions to avoid contamination, develop a Source Water Protection Plan, and assist the Council in plan implementation.

Beyond the ongoing facilitation of the Council meetings and activities related to developing a plan, the EFC and partners have developed a library of source water protection case studies.

The library includes examples of what other communities have done to address drinking water contamination issues to help the Council consider options as members decide how to resolve potential contamination problems. The library is also the basis for a pamphlet the EFC has prepared. It consists of best management practices for source water protection in the form of "mini case studies" of small communities. This is available to the Council, the EFCN, and the public. The EFC and WRI have emphasized throughout the project the importance of public involvement and education on source water issues.

The 1996 Safe Drinking Water Act (SDWA) Amendments established a strong emphasis on preventing drinking water contamination through source protection and enhanced water system management. The Amendments require states to develop a program for delineating public water system recharge areas (for groundwater) and watersheds (for surface water) and for assessing the susceptibility of sources to contamination.

Each water system or local community is encouraged to take the next step and develop a plan to reduce the vulnerability of their source. This Source Water Protection Plan outlines policies and practices the system will take to protect its water source from contamination by reducing and controlling existing threats and minimizing or preventing potential threats.

In some cases, a single system approach to source water protection can be quite effective and can prevent source water contamination. However, it sometimes makes sense to rely on a different approach to source water protection – a "unified" or "resource-based approach." Several systems work together on one plan rather than each developing a separate plan. Reasons for using this method instead of the single system approach include:

- **Lack of staff resources or knowledge base:** Single systems may not have the staff resources, time, or knowledge to develop a plan on their own. As part of a unified team, the work load on an individual system is greatly reduced and knowledge can be gained by working with other systems on the project.
- **More Comprehensive Approach:** Source water protection plans developed by a single system may not go beyond its boundaries. However, a coalition of water systems has the opportunity to expand those boundaries and complete a comprehensive plan for a much larger area.
- **Opportunities to Protect Both Surface and Groundwater Resources:** There may be a desire to protect both surface and groundwater resources, even though only one type of source is used for drinking water. The unified approach lends itself to looking more holistically at the resources and protecting all water resources, not just a portion of them. There may also be opportunities to link two complementary activities, such as a watershed protection effort with a source water protection effort to improve the benefits and opportunities of each, for example, protecting and improving recreational resources.

- **Reduction in Duplication of Effort:** Different systems in a region could face the same types of contamination threats. If this is the case, preparing a plan for each system to address these issues would result in duplication of effort.
- **Additional Benefits:** Water systems and communities have much to gain from communication and coordination with each other. The more systems and communities interact with each other, the greater the opportunities for transfer of knowledge from one system to another, the greater the potential for future collaboration in other ways, such as shared management or operation of systems, sharing equipment and resources and the more opportunities for informal "buddying" of one system with another. This approach can increase technical, managerial, and financial capacity in other ways besides protecting source water.

In 2002 the EFC and WRI began working with Chenango County Health Department, County Soil and Water Conservation District (SWCD), and Rogers Environmental Education Center staff on the Source Water Protection Project. The Project's immediate goal was to develop a Council composed of water system operators (both public and private), County level staff, and other stakeholders interested in protecting their drinking water sources. The Council is the decision making body in the Project, with a long term goal to draft a unified Source Water Protection Plan which will be implemented by each water system. The EFC and WRI will assist the Council in completing comprehensive source water assessments for member systems, helping identify potential drinking water contaminants based on these assessments, and providing the Council with an

array of best management practices it can include in the Plan.

In December 2002 the County Health Department, in conjunction with the EFC and WRI, delivered a training session to over 30 public and private system operators. The Source Water Project was introduced to this group and a number of system representatives expressed interest. The first Chenango County Source Water Council meeting was held in February 2003. Eight public and private water systems were represented, along with the Health Department, SWCD and the Environmental Education Center.

The Source Water Protection Project is based on the idea of communities working proactively to protect their health and resources by preventing contamination of their drinking water sources. A proactive approach can help a community avoid serious health risks associated with drinking water contamination. It can also be an economical approach—preventing contamination can be much less expensive than cleaning a contaminated source. The EFC has developed a brochure for distribution to water systems, customers, community groups — anyone interested in protecting their drinking water.

Rate Setting Assistance

During 2002 the EFC continued to work with communities attempting to create equitable user rates as they pursued water and wastewater system improvements. As opposed to providing training events, the EFC developed a more customized system of delivering training and assistance to communities. Providing individual assistance requires more time on the part of EFC staff, however, it results in the delivery of more comprehensive information to communities and ensures their ability to develop a stronger internal capacity to work with rate structures.

Over the past decade, the EFC has recognized that rate setting training delivered in the classroom to groups of practitioners does not have the same long term value, particularly when consideration is given to changes in political administrations responsible for rate setting decisions. Human nature inhibits many individuals in a group setting from asking specific questions relative to their circumstances, or otherwise fails to recognize differences in learning styles. By working with communities on an individual basis, the EFC is not only facilitating capacity-building within a community, it is complementing the broader training provided by other technical assistance providers, such as the Rural Water Association, which continues to deliver training using classroom methods.

Brownfields

The EFC continued its work with the City of Syracuse's EPA Brownfields Assessment Pilot Program, which was awarded \$200,000 in 2001 to develop a comprehensive brownfields redevelopment plan. The EFC had collaborated with the City to develop the proposal that resulted in the award and was subsequently enlisted to provide assistance to fulfill the tasks of the proposal. In the EFC Annual Report last year, note was made regarding the political transitions within the City, and that the project met several delays as a result. It is a normal occurrence for a new Administration to "inventory" the projects it is involved with and make new staff assignments and other changes. During 2001 the EFC conducted two public outreach meetings and began developing an inventory of brownfields sites in Syracuse. In the first quarter of 2002, the EFC continued to work with the City to develop the inventory and plan additional public meetings and focus groups. Upon additional staff changes within the City, and particularly staffing of the

brownfields project, the City opted to extend the grant and to date is planning how to proceed. The EFC agreed to continue to provide assistance and committed to serving on a committee dedicated to the project as well as provide assistance as time allows.

Brownfields redevelopment is a strong interest among EFC staff members and the topic area is included in some form in forums at which community and economic development are discussed. The EFC routinely responds to requests for assistance with brownfields from communities in EPA Region 2. Most requests involve the need for project-specific funding and result in referrals to various sources. Several small communities and nonprofit technical assistance providers have requested that the EFC convene community stakeholders to explore options. The EFC is committed to providing such assistance on a continuous basis.

EFC COLLABORATIVE ACTIVITIES SUMMARY

EFC Network

- The Public Management and Finance Program mentioned in detail previously was the most significant collaborative activity during 2002, as it was in 2001. EFCs located in Kentucky, North Carolina, New Mexico, Maine and California have been included in a \$700,000 proposal submitted to the USDA in December, 2002 to fund the water and wastewater work of the PMFP. It is anticipated that the announcement of awards will occur in April 2003.

The Public Management and Finance Program mentioned in detail previously was the most significant collaborative activity during 2002, as it was in 2001. EFCs located in Kentucky, North Carolina, New Mexico,

Maine and California have been included in a \$700,000 proposal submitted to the USDA in December, 2002 to fund the water and wastewater work of the PMFP. It is anticipated that the announcement of awards will occur in April 2003.

- Through the leadership of the New Mexico EFC and in collaboration with five other EFCs, the EFC will continue to collaborate on the Source Water Project mentioned previously. The project has served as the impetus for the SU EFC to initiate a series of planning sessions with the Water Resources Institute and Council member to develop new funding sources to continue the project in other communities in New York.
- The EFC has committed to participating in brownfield-related projects with the Kentucky EFC as opportunities arise, including preparing proposals for funding.

INITIATIVES FOR 2003

- EFC staff members will continue to receive training to use new models for water and wastewater rate setting with the intent to build its capacity to assist communities in creating a broad range of options to establish user rates. The EFC has recognized over the years that water and wastewater systems, particularly the very small systems, fare better with models that are compatible with Excel-based software and/or more flexible data input requirements. There is no one-size-fits-all model for rate setting and in some instances the EFC has been able to collaborate with the Rural Water Association and the Rural Community Assistance Program to assist communities in creating equitable user rates or presenting options in cost recovery.

- Support graduate student projects to research various environmental finance issues for communities and other nonprofit or government associations. In May 2003 a group of up to eight graduate students will undertake research to assess the extent to which public input processes improve the success a community has in developing and implementing water and wastewater projects.
- The EFC will continue to develop and implement training activities of the Public Management and Finance Program (PMFP). During 2002 the EFC began to events at which participants will have the opportunity to learn new methods of project finance, “how-to” procedures for consolidation, new technology, pending legislation and regulations, and other related material. These training events have not yet been offered on a regular basis due to current barriers among New York communities to fully participate with consistency. These barriers are a result of small communities operating with minimal staff as reservists have been deployed for active duty since 9/11 and the current war in Iraq, and also various budget problems that preclude travel for conferences and training.

SUMMARY OF ACTIVITIES

Conferences, Special Projects, and Presentations

- January-March 2002, conducted focus groups concerning brownfields priorities with citizens, private businesses, and government representatives on behalf of the City of Syracuse.
- January-December 2002, facilitated meetings on behalf of the Source Water Project, in collaboration with the Water Resources

Institute and the New York State Department of Health, and through the leadership of the New Mexico EFC.

- April 2002, conducted a three-day event for the Public Management and Finance Program at Syracuse University’s Minnowbrook Conference Center. Community representatives and technical assistance providers convened to explore a variety of topic areas including financing options for environmental improvements and capital budgeting.
- May 2002, facilitated graduate student consulting project, “State and Federal Water and Wastewater Funding Programs: The Disconnect for Rural Communities”, for the New York Division of the USDA Rural Utility Service and the New York State Environmental Facilities Corporation
- June 2002, worked with government representatives and community-based organization dedicated to environmental improvements to explore prospective funding sources for dredging a lake front the community would like to become a recreational asset.
- September 2002, conducted a four-day event for the Public Management and Finance Program at Syracuse University’s Minnowbrook Conference Center. Community representatives and technical assistance providers convened to participate in a simulation exercise in which participants assumed roles opposite of their professions.
- September 2002, conducted a focus group concerned with the development of a hazardous waste removal program in New York on behalf of the New York Rural Water

Association and the Rural Community Assistance Program. Participants included representatives of the EPA, farming community, and New York legislative offices.

- October 2002, presented an overview of the Environmental Finance Center Network and the Public Management and Finance Program to the Truman Scholars Association and the Eagle Rock School in Estes Park, Colorado.
- December 2002, presented “Public Finance Practices and Funding Sources for Water and Wastewater Improvements” at the Annual Conference of the New York State Government Finance Officers Association.